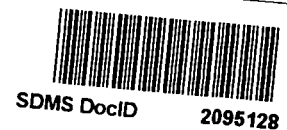




UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION III
1650 Arch Street
Philadelphia, Pennsylvania 19103-2029



NOTICE OF POTENTIAL LIABILITY
REMOVAL ACTION
URGENT LEGAL MATTER: PROMPT REPLY REQUIRED
CERTIFIED MAIL: RETURN RECEIPT REQUESTED

DEC 19 2006

Oceana Salvage, Inc.
Julie Malbon, President
c/o James Boyd, Esq.
1 Commercial Place #1405
Norfolk, VA 23510

**Re: Oceana Salvage, Inc. Site
Virginia Beach, Virginia**

Dear Ms. Malbon:

This letter notifies you that Oceana Salvage, Inc. (hereinafter "OSI" or "you"), may incur, or may have incurred, liability under Section 107(a) of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, ("CERCLA"), 42 U.S.C. § 9607(a), with respect to the Oceana Salvage Site ("Site") located in Virginia Beach, Virginia. This letter also notifies you of potential response activities at the Site, which OSI may be asked to perform or pay for at a later date if the United States Environmental Protection Agency ("EPA") performs them.

Under CERCLA, commonly known as the Federal "Superfund" law, the EPA is responsible for responding to the release or threat of release of hazardous substances, pollutants or contaminants into the environment – that is, for stopping further contamination from occurring and for cleaning up or otherwise addressing any contamination that has already occurred. EPA has documented that such a release has occurred at the Site. EPA has spent, or is considering spending, public funds to investigate and control releases of hazardous substances or potential releases of hazardous substances at the Site. Based on information presently available to EPA, EPA has determined that OSI may be responsible under CERCLA for cleanup of the Site or costs EPA has incurred, or will incur, in cleaning up the Site.

EXPLANATION OF POTENTIAL LIABILITY

Under CERCLA, specifically Sections 106(a) and 107(a), potentially responsible parties ("PRPs") may be required to perform cleanup actions to protect the public health, welfare, or the environment. PRPs may also be responsible for costs incurred by EPA in cleaning up the Site, unless the PRP can show divisibility or any of the other statutory defenses. PRPs include current and former owners and operators of a site, as well as persons who arranged for treatment and/or

disposal of any hazardous substances found at the site, and persons who accepted hazardous substances for transport and selected the site to which the hazardous substances were delivered.

Based on the information collected, EPA believes that OSI may be liable under Section 107(a) of CERCLA with respect to the Site, as the operator of the Site at the time of disposal.

SITE RESPONSE ACTIVITIES

To date, EPA has taken response actions at the Site under the authority of the Superfund Program. Below is a brief description of the actions taken at the Site.

- A Removal Assessment, conducted to determine the characteristics and extent of contamination at the Site.

At present, EPA is planning to take a response action necessary to mitigate the imminent threat posed to the public health, welfare and the environment by removing the lead-contaminated soil and debris in the surface soils at the Site. Specific actions at the Site will likely include:

- Mobilization of personnel and equipment to the Site as necessary;
- Restriction of access to those areas of the Site where high levels of lead are present at the surface;
- Development and implementation of a sampling plan to refine the extent of lead contaminated soil and debris at the Site (including sampling adjacent to the commercial structure onsite), including sampling and possibly the excavation of test pits;
- Excavation and proper disposal of lead-contaminated soils and debris found on the surface of the Site;
- Conduction of sampling onsite to determine lead levels at the base of the excavation areas and possible placement of a visible barrier on the contaminated surface prior to backfilling;
- Stabilization of environmentally sensitive areas to prevent further exposure to lead waste and contaminated soil; and
- Coverage with clean soil or other appropriate fill materials and restoration of areas of the Site to prevent direct contact with lead-contaminated soil and debris below the surface, if needed.

EPA may expend additional funds for response activities at the Site under the authority of CERCLA and other laws.

DECISION NOT TO USE SPECIAL NOTICE

Under CERCLA Section 122(e), 42 U.S.C. § 9622(e), EPA has the discretionary authority to invoke special notice procedures to negotiate formally the terms of an agreement between EPA and PRPs to conduct or finance response activities. Use of these special notice procedures triggers a moratorium on certain EPA activities at the Site while formal negotiations between EPA and the PRP or PRPs are conducted.

In this case, EPA has decided, in accordance with CERCLA Section 122(a), not to invoke the Section 122(e) special notice procedures because use of such procedures is not practicable or in the public interest, nor would use of such procedures facilitate an agreement or expedite remedial action. It is EPA's policy not to use the special notice procedures for removals unless there is a six-month planning lead time after the decision to respond and prior to the initiation of the action. Since the planning lead time prior to the initiation of this response action was less than six months, special notice procedures have not been used. Nonetheless, EPA is willing to discuss settlement opportunities without invoking a moratorium, but will continue the response action as planned if such discussions do not lead to settlement expeditiously.

PRP RESPONSE AND EPA CONTACT

You are encouraged to contact EPA in writing within **fourteen (14) calendar days** of the receipt of this letter to express OSI's willingness or unwillingness to participate in future negotiations concerning this Site.

If OSI is already involved in discussions with state or local authorities, engaged in voluntary action or involved in a lawsuit regarding this Site, you should not interpret this letter as advising or directing OSI to restrict or to discontinue any such activities. You should, however, report the status of those discussions or activities in a letter to EPA. Please provide EPA with a copy of OSI's letter to any other party involved in those discussions.

OSI's response to this letter should be addressed to:

Laura Casillas, On-Scene Coordinator
Hazardous Site Cleanup Division
U.S. Environmental Protection Agency
1650 Arch Street (3HS32)
Philadelphia, PA 19103

The following information may be useful in your consideration of this matter.

INFORMATION TO ASSIST POTENTIALLY RESPONSIBLE PARTIES

Administrative Record

Pursuant to CERCLA Section 113(k), 42 U.S.C. §9613(k), EPA establishes an administrative record that contains documents which form the basis for EPA's decision on the selection of each response action for a site. A copy of the record for each response action selected for the Site will be available on the internet at www.epa.gov/arweb or may be available in hardcopy at specific locations.

Future Financial Review

EPA is aware that the financial ability of some PRPs to contribute toward the payment of response costs at a site may be substantially limited. If OSI believes, and can document, that it falls within that category, you may contact Civil Investigator, Carlyn Winter Prisk at (215) 814-2625 for information on "Ability to Pay Settlements." In response, OSI will receive a package of information about the potential for such settlements and a form to fill out with information about OSI's finances, and you will be asked to submit financial records including Federal income tax returns. If EPA concludes that OSI has a legitimate inability to pay the full amount of EPA's costs, EPA may offer a schedule for payment over time or a reduction in the total amount demanded from OSI.

Also, please note that, because EPA has a potential claim against OSI, you must include EPA as a creditor if OSI files for bankruptcy.

Resources and Information for Small Businesses

As you may be aware, on January 11, 2002, President Bush signed into law the Superfund Small Business Liability Relief and Brownfields Revitalization Act. This Act contains several exemptions and defenses to CERCLA liability, which we suggest that all parties evaluate. You may obtain a copy of the law via the Internet at <http://www.epa.gov/swerosps/bf/sblrbra.htm> and review EPA guidances regarding these exemptions at <http://www.epa.gov/compliance/resources/policies/cleanup/superfund>

EPA has created a number of helpful resources for small businesses. EPA has established the National Compliance Assistance Clearinghouse as well as Compliance Assistance Centers which offer various forms of resources to small businesses. You may inquire about these resources at www.epa.gov. In addition, the EPA Small Business Ombudsman may be contacted at www.epa.gov/sbo. Finally, EPA developed a fact sheet about the Small Business Regulatory Enforcement Fairness Act ("SBREFA"), which is enclosed with this letter.

Please give these matters your immediate attention and consideration. If you have any questions regarding the foregoing, you may contact Laura Casillas at 215-814-2353, or your attorney may contact James Van Orden at (215)-814-2693. Thank you for your prompt attention to this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "Karen Melvin".

Karen Melvin, Associate Division Director
Office of Enforcement
Hazardous Site Cleanup Division

Enclosures

cc: James Van Orden (3RC42)
Carlyn Winter Prisk (3HS62)
Laura Casillas (3HS32) ✓
VADEQ